

NOV- 6-81 TUE 17:54 N.H.S. INC

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P. 01

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November 5, 2001

Mr. Herb Schwartz, President
National Healthcare Services, Inc.
4523 102nd Lane, N.E.
Kirkland, WA 98033

Re: Penn Treaty Network America Insurance Company

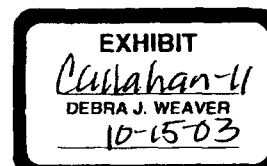
Dear Mr. Schwartz:

It has come to the attention of Penn Treaty that Michael Callahan has purchased a significant share of National Healthcare Services and has assumed management functions. National Healthcare Services' Agreement with Penn Treaty, paragraph 6.2 states:

6.2. Termination: This Agreement shall be terminable as follows:

6.2.3. Immediately and without notice, by either party, in the event of:

- (d) The sale of all or substantially all of the assets of, the merger or transfer of a majority of the voting stock of, or a material change in the management of one party which has not been approved in writing by the other party provided, however, that this shall not apply to any transfer of interest between the existing shareholders of NHCS and/or their estates; . . .



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**TALLMAN
HUDDERS &
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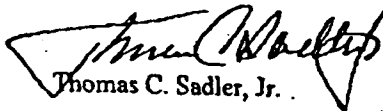
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Mr. Herb Schwartz
November 5, 2001
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In light of the material change in the management of National Healthcare Services, Inc., Penn Treaty is left with no choice but to immediately and without any further notice terminate the Agreement entered into between National Healthcare Services, Inc. and Penn Treaty Network America Insurance Company dated October 21, 1999, and the modification of the Agreement dated August 21, 2000.

Very truly yours,


Thomas C. Sadler, Jr.

TCS:SEH:sh

cc: Jane M. Bagley, Esq.

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